



Contract Pricing

What's new? What's not?

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Topics

- **Price Analysis**
 - **Why now? FASA/FARA**
 - **What is it? (same old stuff)**
 - **How? (same old stuff)**
- **Pricing initiatives ongoing**
- **Q&A**

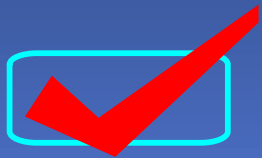


FASA/FARA Changes to Getting Cost or Pricing Data

New



Can be adequate price Competition with only 1 offer received



“Substantial Quantities” for
“Catalog or Market Prices”
just more than token amount



“Exceptional Cases” for
waivers not so exceptional



FASA/FARA Changes to Getting Cost or Pricing Data

New



“Commercial Item” definition expanded



Absolute prohibition for Commercial Items

Coming

Not New

Emphasis on getting less data; Using (and how to do) price analysis



Price Analysis

Comparison with:

- ➔ other proposed prices
- ➔ prior proposed/contract prices
- ➔ application of rough yardsticks
- ➔ competitive published price lists
- ➔ independent Gov't estimates
- ➔ same or similar items found by market research

**Not
New**

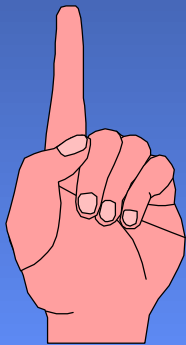
May need to use more than one!



Price Analysis

Prior Proposed & Contract Prices

- Ask buying office (usually have it) or contractor.



CAUTION Is prior price good?

Be careful when you have only one price/quote for comparison!



Price Analysis

Application of rough yardsticks

- Cost estimating relationships (CERs) and Parametric Cost Models (Simple ratio to complex series of regression equations).

**Reinvention
Lab Underway**

**DORO
Study**

- CERs useful in conjunction with other price analysis techniques.



Price Analysis

Competitive published price lists

- Obtain lists from other companies selling similar products--talk to other CAOs.
- Consider sales, discounts, rebates

CAUTION Item proposed on the basis of a price list--but,

- no sales of it or similar item
- no sales at published price

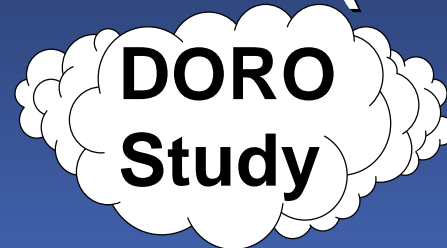




Price Analysis

Independent Government Estimates

- Ask Buying Office for them! (they often have them)



Same or similar items found by market research

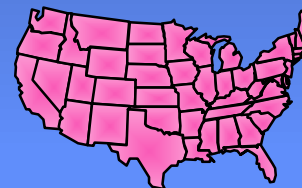
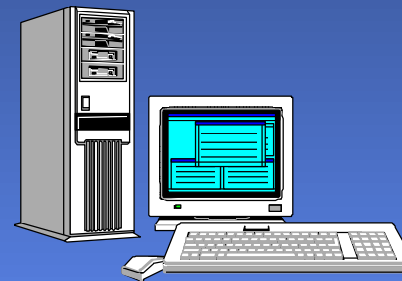
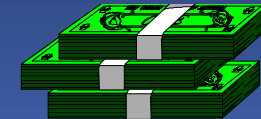
- Business directories, Internet
- Check with other CAOs



Price Analysis

Comparability

- Identify factors impacting comparability
 - Purchasing power of dollar (inflation)
 - Quantity
 - Terms and conditions
 - Extent of competition
 - Technology
 - Market conditions
 - Geographic Location





Price Analysis

Comparability

Make necessary adjustments

HOW? Same as cost analysis, i.e.,
You already know!

- Purchasing power → DRI, PPI
- Quantity → Price/Quantity Curve,
Price-Volume analysis
(regression)



Price Analysis

Comparability

- Terms and conditions → assess for impact on price (e.g., GFP)
- Extent of competition → “Is prior price good?”
- Technology → advances can affect prices far more than inflation
- Market conditions → changeable (cyclical patterns, shortages)



Price Analysis

Other Common Techniques

Sampling



Save time on catalog pricing, repairs, PIOs

Moving Averages



Smooth data (e.g., repairs) for other analyses

Correlation, Trend Analysis



Test strength of association prior to regression

Learning Curve



Why not?

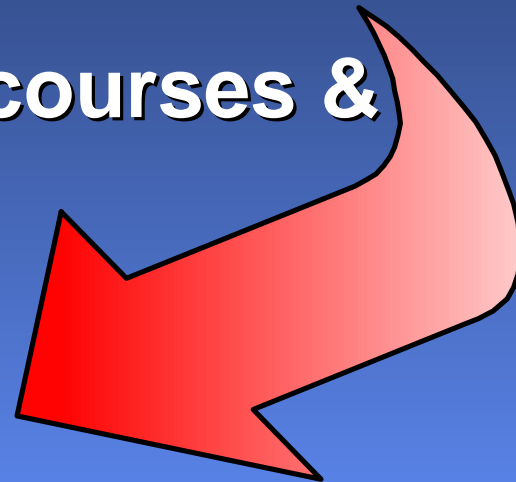
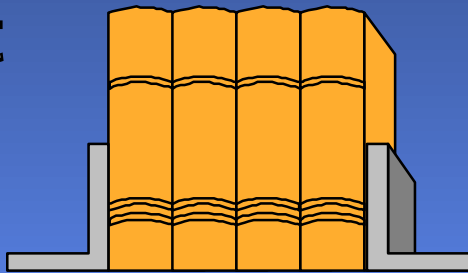


Estimating Techniques (for price analysis)

Need software → E-Z-Quant, Lotus,
SPSS, Statistica, etc.



Forget how to
do it → DAU courses &
texts



<http://www.gsa.gov/staff/v/training.htm>



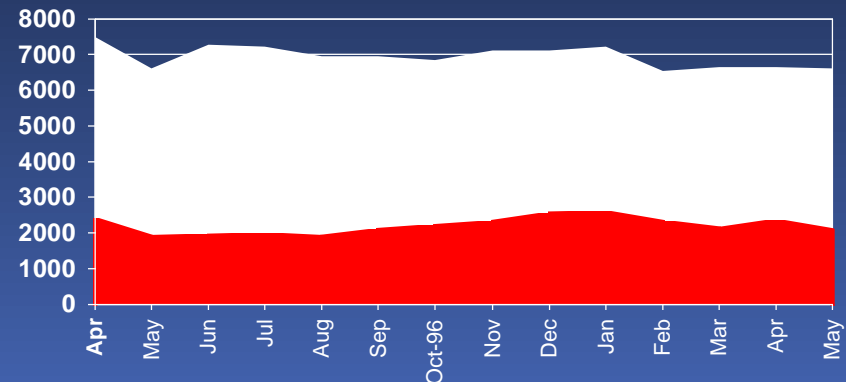
Pricing Initiatives

- FAR Pt 15 Rewrite
 - DLAD 5000.4, Proposal Analysis rewrite underway
 - PNM review & approval levels
 - CON 235 (Spring '97)
 - Pricing & Negotiation Module of DCMC Automated Metrics System
 - IPT Pricing brochure, video, kudos
 - GAO review, Estimating Systems
- and,**



UCA Definitization

Timeliness down, Backlog flat (& fat)



More UCAs expected as Services (e.g., NAVAIR, ATCOM, SA/ALC) lose staff.

Recent statutory change (Dec 19 Ltr)

VTC August 19, 1530-1630 (EST)